

LOUISIANA PUBLIC SERVICE COMMISSION

ORDER NO. U-34113

LOUISIANA PUBLIC SERVICE COMMISSION EX PARTE

Docket No. U-34113, In Re: Audit of Purchased Gas Adjustment Filings of Entergy Louisiana, LLC from January 2012 Through December 2015.

(Decided at the Commission's September 16, 2020 Business and Executive Session.)

Overview

This Commission, having reviewed and considered the *Joint Report and Draft Order* ("Joint Report") filed by the Entergy Louisiana, LLC ("ELL" or the "Company") and Louisiana Public Service Commission Staff ("Staff") finds said Joint Report to be acceptable and in accordance with the provisions of the Commission's General Order dated March 24, 1999 ("1999 General Order"). A copy of the Joint Report is attached as Attachment A hereto.

The Joint Report, which resolves all issues in this matter, indicates that (1) the costs included in the PGA filings of ELL were reasonable, prudent, and necessary to the provision of service for jurisdictional retail customers; (2) the costs included in the PGA filings of ELL qualified for recovery under the PGA mechanism and were consistent with the Commission's General Order dated March 24, 1999 ("1999 General Order"); and (3) the costs included in the PGA filings of ELL produced just and reasonable rates.

Commission Jurisdiction

The Commission exercises jurisdiction over public utilities in Louisiana pursuant to Article IV, Section 21(B) of the Louisiana Constitution, which states:

The commission shall regulate all common carriers and public utilities and have such other regulatory authority as provided by law. It shall adopt and enforce reasonable rules, regulations and procedures necessary for the discharge of its duties, and shall have other powers and perform other duties as provided by law.

Consistent with that authority, the Commission adopted General Order dated March 24, 1999, which developed standards governing the ratemaking treatment of purchased gas costs incurred by gas utilities operating within the State of Louisiana, as well as addressed issues concerning costs eligible for recovery through Cost of PGA mechanisms and to standardize various reporting and review requirements.

Commission Consideration

This matter was considered at the Commission's September 16, 2020 Business and Executive Session. On motion of Chairman Francis, seconded by Vice Chairman Greene, and unanimously adopted, the Commission voted accept the unopposed Joint Report and Draft Order filed into the record on August 21, 2020.

THEREFORE, IT IS ORDERED:

- 1) That the *Joint Report* filed by ELL and Commission Staff adopting the findings and recommendations contained in the *Report of Commission Staff* filed February 20, 2020, subject to the comments by ELL dated May 6, 2020, is accepted; and
- 2) The costs included in the PGA filings of ELL during the audit period were reasonable, prudent, and necessary to the provision of service for jurisdictional retail customers; the costs included in the PGA filings of ELL qualified for recovery under the PGA mechanism and were consistent with the 1999 General Order; and the costs included in the PGA filings of ELL produced just and reasonable rates.

This Order is effective immediately.

**BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA**

October 7, 2020

/S/ MIKE FRANCIS
DISTRICT IV
CHAIRMAN MIKE FRANCIS

/S/ CRAIG GREENE
DISTRICT II
VICE CHAIRMAN CRAIG GREENE

/S/ FOSTER L. CAMPBELL
DISTRICT V
COMMISSIONER FOSTER L. CAMPBELL

/S/ LAMBERT C. BOISSIERE, III
DISTRICT III
COMMISSIONER LAMBERT C. BOISSIERE, III



BRANDON M. FREY
SECRETARY

/S/ ERIC F. SKRMETTA
DISTRICT I
COMMISSIONER ERIC F. SKRMETTA

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

DOCKET NO. U-34113

LOUISIANA PUBLIC SERVICE COMMISSION
EX PARTE

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LA PUBLIC SERVICE
COMMISSION

In Re: Audit of Purchased Gas Adjustment Filings of Entergy Louisiana, LLC from January 2012 Through December 2015.

JOINT REPORT AND DRAFT ORDER

Entergy Louisiana, LLC (“ELL” or the “Company”) and Louisiana Public Service Commission Staff (“Staff”) respectfully submit this *Joint Report and Draft Order* to advise the Louisiana Public Service Commission (“LPSC” or “Commission”) of the resolution of all issues in this Commission audit of ELL’s Purchased Gas Adjustment (“PGA”) filings from January 2012 through December 2015. Further, ELL and Staff request that the Commission adopt the Draft Order, attached as Exhibit 1, adopting the findings and recommendations contained in the *Report of Commission Staff* (“Staff Report”) prepared by Exeter Associates, Inc. and filed into the record of this proceeding on February 20, 2020, subject to ELL’s comments filed into the record on August 18, 2020. The Staff Report finds that: (1) the costs included in the PGA filings of ELL were reasonable, prudent, and necessary to the provision of service for jurisdictional retail customers; (2) the costs included in the PGA filings of ELL qualified for recovery under the PGA mechanism and were consistent with the Commission’s General Order dated March 24, 1999 (“1999 General Order”); and (3) the costs included in the PGA filings of ELL produced just and reasonable rates. The Staff Report notes concerns with respect to ELL’s PGA cost projections and

the design day criteria ELL utilizes for capacity and gas supply planning purposes for PGA customers.

REPORT OF PROCEEDINGS

The Commission issued the 1999 General Order to develop standards governing the ratemaking treatment of purchased gas costs incurred by gas utilities operating within the State of Louisiana. More specifically, the 1999 General Order outlines the types of costs that are eligible for recovery through the PGA mechanism and those that are ineligible, or fall outside the recovery mechanism. Pursuant to the 1999 General Order, ELL's retail gas operations are subject to the filing requirements as defined in Appendix B of the 1999 General Order. The Company is required to file PGA schedules on a monthly basis as soon as practically possible after the first of each month with supporting documentation for all data inputs, which are then used for the applicable billing month.

ELL provides natural gas distribution service to portions of East Baton Rouge Parish, including the Cities of Baton Rouge and Central. During the audit period, ELL was providing natural gas service to approximately 94,000 customers. The service area covers approximately 225 square miles. ELL has a non-exclusive city and parish franchise. Prior to October 2015, Entergy Gulf States Louisiana, LLC operated ELL's current natural gas distribution business. On September 14, 2015, the LPSC issued Order No. U-33244-A, formally approving a business combination of Entergy Gulf States Louisiana, LLC ("Legacy EGSL") and Entergy Louisiana, LLC ("Legacy ELL"), through which both companies substantially combined all of their respective assets and liabilities into a single operating company, Entergy Louisiana, LLC. The business combination became effective October 1, 2015.

The Commission Staff issued a Notice of Audit filed June 30, 2016, which was docketed as Docket No. X-34113 and published in the Commission's Official Bulletin dated July 1, 2016. The Commission retained Exeter Associates, Inc., at the December 21, 2016 Business and Executive Session ("B&E") to assist Commission Staff with the audit. Staff's Report was filed February 20, 2020, and notice of the same was published in the Commission's Official Bulletin dated February 21, 2020, to convert the docket to a "U" docket and for a 25-day intervention period. Subsequently, Governor Edwards issued a series of proclamations suspending certain legal deadlines due to the COVID-19 pandemic. There are no interventions or protests to the Staff Report.

STAFF'S AUDIT REPORT

Staff reviewed ELL's monthly PGA filings, conducted extensive discovery, both formal and informal, and had discussions with the Company working through certain elements of the audit. Staff reviewed ELL's PGA filings for adherence and consistency with the requirements set forth in the 1999 General Order. The purpose of the audit is to determine whether the costs passed through the PGA of ELL during the audit period:

- Were prudent;
- Were appropriate and eligible for recovery through the PGA mechanism;
- Were consistent with the 1999 General Order and sound ratemaking principles;
- Produced just and reasonable rates; and
- Were necessary for the provision of natural gas service.

Based on Staff's review, as set forth in the Staff Report, Staff concludes that: (1) the costs included in the PGA filings of ELL were reasonable, prudent, and necessary to the provision of service for jurisdictional retail customers; (2) the costs included in the PGA filings of ELL

qualified for recovery under the PGA mechanism and were consistent with the 1999 General Order; and (3) the costs included in the PGA filings of ELL produced just and reasonable rates.

The Staff Report notes concerns with respect to ELL's PGA design day criteria ELL utilizes for capacity and gas supply planning purposes. ELL purchased all of its gas supplies under full requirements citygate contracts during the audit period. ELL's audit period full requirements supply contracts specified a maximum daily purchase quantity ("MDQ") for each month of the year. For the months of December through February, ELL's MDQ reflects a projection for demand based on a day with an average temperature of 13.5°F ("design day"), or 51.5 heating degree days ("HDDs"). The Staff Report finds ELL's design day demands during the audit period to be slightly overstated, and the design day temperature criteria of 13.5°F to be extremely conservative (probability of occurrence of less than once every 100 years) and inconsistent with observed industry practices; however, it did not find that it resulted in increased costs for customers during the audit period. The Staff Report recommends that ELL should re-assess its design day forecasting model, and should re-evaluate its reliance on design day weather criteria that have a less than 1-in-100-year probability of occurrence. ELL submitted correspondence to Staff dated May 6, 2020, which was filed into the record of this proceeding on August 18, 2020, in which it states is disagreement with this recommendation to re-evaluate its design day criteria, but does not ultimately oppose the refund recommended in the Staff Report, subject to the caveats described further below.

Additionally, the Staff Report notes that for the period September through December 2015, ELL's PGA cost projections failed to reflect certain reductions and direct billing in charges which resulted in an under recovery of purchased gas costs that was subsequently recovered through amortization of ELL's over/(under)-recovery balance. This resulted in an increase in its gas cost

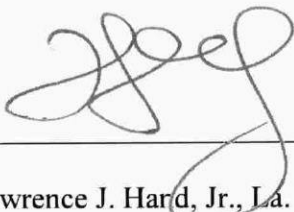
under recovery balance and the subsequent assessment of additional interest charges to PGA customers. The Staff Report finds it unreasonable for PGA customers to have paid additional interest charges due to ELL's failure to properly develop its PGA cost projections and rates. However, these additional interest charges were not assessed to PGA customers until the gas cost under recovery balance in which those interest charges were included was amortized. This occurred during the January 2016 through December 2017 audit period reviewed in Docket No. U-34852, which was also conducted by Exeter Associates, Inc. Therefore, Staff is proposing a disallowance and refund in the amount of \$28,900 to ELL's recoverable PGA costs as part of its recommendations in Docket No. U-34852, as the costs were incurred during the audit period covered in that proceeding.

In its May 6, 2020 correspondence, referenced above, ELL disagrees with the basis for Staff's findings related to its proposed \$28,900 disallowance and refund, but states it will not oppose the refund. However, ELL notes that it is not opposing the refund solely in the interest of expediency and to avoid expenditure of further Commission and ELL resources, provided its non-opposition is non-precedential and reserving its rights to oppose should Staff or its consultants assert a similar position in future refund cases.

ELL and Staff submit this Joint Report indicating there are no unresolved issues in this proceeding, subject to ELL's comments contained in its correspondence dated May 6, 2020, and request consideration of this *Joint Report and Draft Order* at the September 16, 2020 B&E Session.

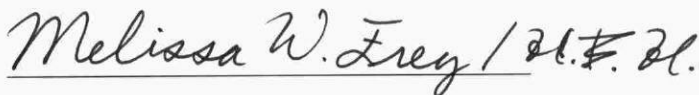
WHEREFORE, as there are no unresolved issues, ELL and Staff respectfully request that the Commission issue the proposed Draft Order accepting this Joint Report (attached as Exhibit 1), including finding that (1) the costs recovered through the PGA of ELL were reasonable,

prudent, and necessary to the provision of service for jurisdictional retail customers; (2) the costs included in the PGA filings of ELL qualified for recovery under the PGA mechanism and were consistent with the 1999 General Order; and (3) the costs included in the PGA filings of ELL produced just and reasonable rates.



Lawrence J. Hard, Jr., La. Bar No. 23770
Harry M. Barton, La. Bar No. 29751
639 Loyola Avenue
Mail Unit L-ENT-26E
New Orleans, Louisiana 70113
Telephone: (504) 576-2984
Facsimile: (504) 576-5579

ATTORNEYS FOR
ENTERGY LOUISIANA, LLC



Melissa W. Frey (Bar Roll No. 28261)
Deputy General Counsel
Louisiana Public Service Commission
P.O. Box 91154
Baton Rouge, Louisiana 70821-9154
602 North Fifth Street, Galvez Bldg., 12th
Fl.
Baton Rouge, Louisiana 70802
Ph. (225) 342-9888
melissa.watson@la.gov

ATTORNEY FOR LOUISIANA PUBLIC
SERVICE COMMISSION

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EX PARTE**

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Consistent with that authority, the Commission adopted General Order dated March 24, 1999, which developed standards governing the ratemaking treatment of purchased gas costs incurred by gas utilities operating within the State of Louisiana, as well as addressed issues concerning costs eligible for recovery through Cost of PGA mechanisms and to standardize various reporting and review requirements.

Commission Consideration

This matter was considered at the Commission's [insert date] Business and Executive Session. On motion of Commissioner _____, seconded by Commissioner _____, and [insert vote], the Commission voted accept the Joint Report and Draft Order filed into the record on August 21, 2020.

THEREFORE, IT IS ORDERED:

- 1) That the Joint Report filed by ELL and Commission, adopting the findings and recommendations contained in the *Report of Commission Staff* filed February 20, 2020, subject to the comments by ELL dated May 6, 2020, is accepted;
- 2) The costs included in the PGA filings of ELL during the audit period were reasonable, prudent, and necessary to the provision of service for jurisdictional retail customers; the costs included in the PGA filings of ELL qualified for recovery under the PGA mechanism and were consistent with the 1999 General Order; and the costs included in the PGA filings of ELL produced just and reasonable rates.

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BATON ROUGE, LOUISIANA**

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CHAIRMAN MIKE FRANCIS**

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